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Performance and Public Market Equivalent

Report 2022

A report on the returns generated by independent UK managed private equity and venture capital funds that raise capital from third-party investors, and a comparison of these returns to public markets

September 2023

About this report

This report presents the performance of funds managed by members of the British Private Equity and Venture Capital Association and then compares the performance of these funds to public equity markets, as represented by the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index, using two different Public Market Equivalent (PME) methodologies.

The performance statistics in this report are taken from the BVCA's Performance Measurement Survey, an annual survey of fund level cash flows and valuations collected from our members. The PME analysis uses the same underlying dataset. This report supplements the PMS report and should be read alongside the main report.

With a significant presence in the UK, private equity and venture capital investments provide companies with the finance and know-how to deliver sustainable business growth.

Active ownership, over the medium to long term, delivers economic and social value to those involved in the businesses (from employees, management and owners on the one hand, to customers and suppliers on the other) and a wide group of stakeholders (from local communities and local and regional economies, to national policy makers focused on issues such as climate change, diversity and inclusion and social issues).

Both private equity and venture capital firms are focused on delivering sustainable growth for the companies in which they invest: venture capital funds typically support early stage and younger companies, holding minority stakes in the businesses, while private equity funds typically acquire controlling stakes in more established businesses.

The Performance Measurement Survey (PMS) looks at funds which invest in businesses at all stages of the growth lifecycle – from venture capital funds specialising in start-ups to large buyout funds investing in global corporations. We at the BVCA firmly believe that private capital as an asset class offers exciting investment opportunities for pension schemes and other investors and the results of the Performance Measurement Survey, and this Public Market Equivalent analysis demonstrates why.

For the 2022 Performance Measurement Survey, we received responses from 105 members out of a total eligible pool of 136 members, a response rate of 77%. For comparison, in 2021 we received response from 114 members out of a total of 164 who were eligible. The full Performance Measurement Survey Report is available on our website here and a shorter highlights paper can be found here.

We are pleased to present this third edition of our Public Market Equivalent analysis to help investors better understand the relative performance of private equity and venture capital compared to public markets as represented by the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index. Our data suggests that, since 2001, investors would have earned more from investing in funds managed by our members than if they made an equivalent investment in public equities. The data in this report will provide greater depth to the literature around the performance of private capital funds."

Michael Moore
Chief Executive, BVCA

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Key findings at a glance

Absolute performance since 2001

Realised returns

1.28x

Across the industry as a whole since 2001, investors have received 1.28x their original invested capital

Total returns

1.81x

Across the industry as a whole since 2001, investors own assets which, if realised as at 31 Dec 2022, would mean investors receive 1.81x their original investment

Industry return

14.3%

Overall industry Since Inception internal rate of return since 2001

Wide range of returns

0.63x–2.76x

Illustrative industry-wide range of total return multiples to 31 December 2022

Relative performance since 2001

FTSE All-Share comparison

1.34x

The **KS-PME analysis** implies that since 2001, investors would have **earned 34% more from investing in funds managed by our members** than if they made equivalent investments in the FTSE All-Share Total Return Index

FTSE All-Share comparison

6.8%

The analysis using the **Capital Dynamics PME+ (PME+)** method implies that, if investors had made an equivalent investment in the FTSE All-Share Total Return Index, they would have received **a return of 6.8%, significantly lower than the 14.3% achieved by PE and VC**

Returns by vintage year

Funds managed by our members have collectively outperformed both the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index **every year since 2001**[1], when assessed using both the Capital Dynamics PME+ (PME+) and KS-PME methodologies

MSCI Europe comparison

1.41x

The **KS-PME analysis** implies that since 2001, investors would have **earned 41% more from investing in funds managed by our members** than if they made equivalent investments in the MSCI Europe Gross Total Return Index

MSCI Europe comparison

5.5%

The **PME+ analysis** implies that, if investors had made an equivalent investment in the MSCI Europe Gross Total Return Index, they would have received **a return of 5.5%, significantly lower than the 14.3% achieved by PE and VC**

[1] Funds that started investing between 2001 and 2018

Foreword

We are pleased to present the third edition of our Performance and Public Market Equivalent Report, which compares the performance of funds managed by BVCA member firms with public equity markets, specifically the FTSE All Share Total Return and the MSCI Europe Gross Total Return Indices.

Both indices selected for the benchmarking of private equity and venture capital are broad based representing portfolio of companies in a range of sectors and of different sizes, and are largely focused on the UK, Europe and developed markets.

Using data from our latest Performance Measurement Survey, we present the results across various time horizons using two different Public Market Equivalent (PME) approaches, developed by academics and industry practitioners, namely KS-PME and PME+. While the former is a multiples-based methodology, the latter is a return (IRR)-based one, as it is vital to investors to consider both annual and total returns to have a better understanding of the relative performance of their investments. It is also important to bear in mind that each PME methodology serves essentially as an approximation until the funds are fully realised.

Our analysis demonstrates that the private equity and venture capital funds in our dataset have collectively outperformed the public market as represented by either the FTSE All Share Total Return Index or the MSCI Europe Gross Total Return Index every year since 2001 regardless of the PME approach applied.

According to the KS-PME analysis, since 2001 investors in the private equity and venture capital funds managed by BVCA members have earned 34% and 41% more than if they had made an equivalent investment in the FTSE All-Share Total Return Index and in the MSCI Europe Gross Total Return Index respectively. Furthermore, the PME+ indicates, that if investors had invested either in the FTSE All Share Total Return Index or in the in the MSCI Europe Gross Total Return Index, they would have received a return of 6.8% and 5.5% respectively, well below the 14.3% delivered by private equity and venture capital over the same period.

A PME analysis is an important part of enabling investors to understand the relative returns generated by private equity and venture capital, and we are delighted to have been able to contribute to the topic. We recognise, however, that analyses with different indices could produce different results. We will continue to explore whether and how we can extend our PME analysis in future years.

We would like to thank the BVCA members who contributed data as part of our performance measurement survey. We give special thanks to the members of the Performance Measurement Survey Review Board, who provided technical advice to the BVCA and helped ensure the robustness of the processes undertaken to produce this report.

Garry Wilson
Managing Partner, Endless LLP,
& BVCA Chair 2023/2024

Guide to this report

This report is structured as follows:

- **Section 1: Measuring Investment Performance** explains how investment performance is measured for public equity portfolios and for private equity and venture capital funds. We also provide a high-level overview of the PME methodologies used in this report, including how to interpret the results. For a detailed explanation of the methodologies, please see our 2020 report.
- **Section 2: Selection of benchmark indices** provides an overview of the funds in our dataset and explains why the FTSE All-Share and MSCI Europe Indices were selected.
- **Section 3: Performance & Benchmarking Results** provides an analysis of the performance of the funds in our dataset over different time periods and how that performance compared to equivalent investments in public equity markets.
- **Section 4: Conclusion** summarises the key findings from the report.

A further reading section is included at the end of the report for readers wishing to explore the existing published literature on PME.

Who is this report written for?

This report is primarily written for individuals who have a finance background and are familiar with private equity and venture capital performance measurement.

If you are new to private equity and venture capital performance measurement and public market equivalent analyses, then sections 1 and 2 in the BVCA Performance and Public Market Equivalent Report 2020 cover the methodologies you will need to understand and interpret the results in this report. A Glossary is also provided.

If you have any questions or comments on this report, including technical queries, please feel free to reach out to the BVCA research team.

Get in touch >

Report from the Performance Measurement Survey Review Board

About the board

Established in 2019, the Performance Measurement Survey Review Board is an advisory group comprised of experienced individuals working across all parts of the private equity and venture capital industry – from fund managers to investors to academics.

We are pleased to support the BVCA in the production of this report, which is a companion to the Performance Measurement Survey report. The Board is a technical advisory group and has no access to individual firm submissions or any of the underlying disaggregated data. Our role is to advise on methodology and process and to ensure that the results are robust.

Robustness of results

The verification procedures for the Performance Measurement Survey are set out in the main report. The survey response rate, sign off rate and the data verification procedures undertaken as part of the PMS report give the Board confidence that the dataset is robust. The methodologies used in the PME analyses in this report have been reviewed and approved by the Board.

Selection of benchmark index

A key input into any PME analysis is the public market benchmark, or index, which will be used as the comparison to the private market performance.

Having considered the nature of the BVCA Performance Measurement Survey dataset – the range of fund sizes, investment sectors, investment geographies and investment sizes, the Board recommended the use of the FTSE All-Share Total Return Index as the best comparator for the whole dataset and the MSCI Europe Gross Total Return Index as the best comparator for the entire dataset a close second.

If, in future, the BVCA decides to produce more granular analysis (for example, looking at venture only), then a different index may be more appropriate for subsets of the data.

Overall results

The results provide a good indication of the long-term outperformance of private equity and venture capital compared to the public market. They also underline the need for a reliable relative measure of performance as well as an absolute measure using two public market equivalent methodologies as presented in the report.

We are pleased to be able to contribute to the available research into the returns from private equity and venture capital funds to investors, and we hope that this third edition of the BVCA's Public Market Equivalent analysis will be an important resource for investors, industry participants and those who study or wish to learn more about the returns generated by the asset class.

Fraser McLatchie
Chair, Performance Measurement Survey Review Board

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Duke University

Measuring investment performance

Public equities vs. private equity

Public equities

Institutional investors, such as pension funds, asset managers and mutual funds, invest capital on behalf of their clients. To optimise gains and decrease risk, fund managers diversify their investments into different asset classes – the “asset allocation” process.

The public equity market is particularly popular amongst professional investors. Buying and selling stocks is fairly easy, making it a more liquid asset class compared to other options. A public equity portfolio can be easily diversified across different industries and there is a potential to earn higher returns than less risky alternatives, such as government bonds.

In simple terms, when analysing the performance of a public equity portfolio, one looks at: the value of the portfolio at the beginning of the calendar year (B), the value of the portfolio at the end of the year (E) and any distributions of interest or dividends (D) during that period. A yearly return can be calculated as:

$$\text{Return (\%)} = \frac{E + D - B}{B}$$

Risks are usually measured by looking at the variation of the value of the portfolio within this time frame, and this simple calculation is possible because investors can buy and sell listed assets at any point in the year.

Private equity

Investing in private equity and venture capital is different to investing in public equity markets, with the main difference being the liquidity of the investment and the length of time an investor is required to commit to a fund.

A private equity or venture capital fund will raise capital until it reaches a pre-defined target, when the fund closes and no new investors can join.

Once an investor has made a commitment to a fund, it may not be called upon for a period of months or even years, and when this commitment is called for, to fund an investment, this may be varying amounts and at irregular intervals.

Once a fund starts deploying capital, it spends on average four years mostly investing into portfolio companies and distributing back very little to investors. It is often only after around the fifth or sixth year of a fund’s life that investors start receiving distributions (i.e. getting their capital back). This will last for as long as there is unrealised capital to be distributed - the life of a fund is typically between eight and fifteen years.

Private equity and venture capital is therefore considered to be a long-term asset class, and not suitable for investors who are likely to need to access their capital at short notice.

As a result of these features, a number of different metrics are used to give investors the greatest possible understanding of the performance of their investments in private equity and venture capital funds. In this report, as well as in the BVCA’s Performance Measurement Survey, we focus on money multiples, specifically Distributed to Paid-In (DPI) and Total Value to Paid-In (TVPI) multiples, and Internal Rates of Return (IRRs).

A brief explanation of these measures can be found in the Glossary. Detailed explanations and examples can be found in Section 1 and Section 2 of our 2020 report.

Measuring investment performance

Public Market Equivalents (PMEs)

Benchmarking the performance of investments in private equity and venture capital funds to other asset classes (such as public equities) is not a straightforward process. Private equity and venture capital fund returns are typically measured in a different way to other asset classes. IRRs and multiples are not ideal ways of comparing the performance of private equity and venture capital funds to public equity investments.

A Public Market Equivalent (PME) analysis is a method which allows investors to compare the performance of a private equity or venture capital fund, to the performance the public market would have generated over the same period using the same investment timings.

In general, the PME method is to create a theoretical fund that replicates the cashflows of private markets by buying and selling stocks of a specific index. The index is a hypothetical portfolio of investments that represent specific segments of an economy or sector. Creating a theoretical portfolio that invests at the same time and same amount into an index, allows the investor to gauge what the return of its investments would have been in the public equity market, by taking into consideration the market movements.

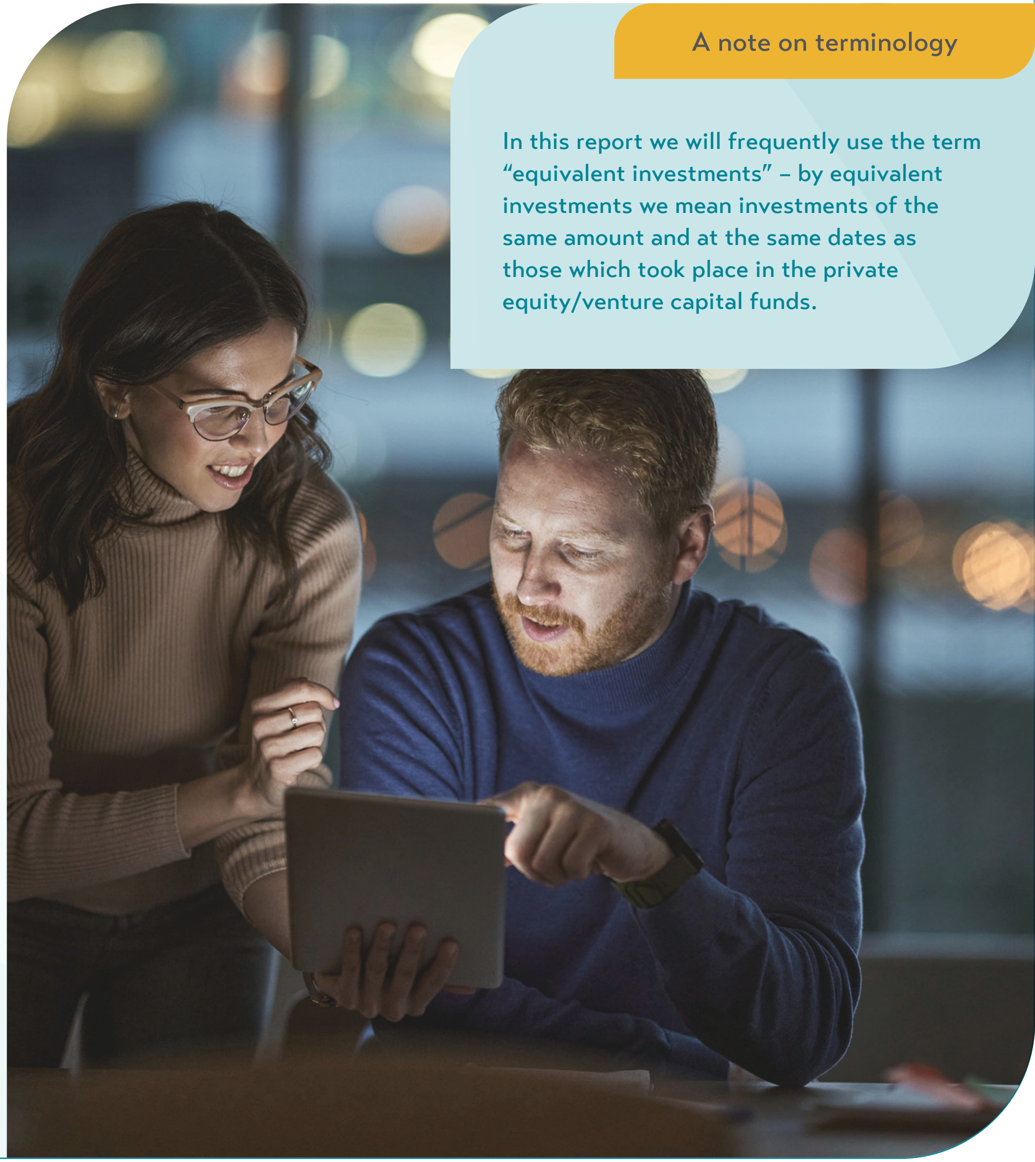
This table on the following page provides a summary of three different methodologies:

- Long-Nickels (LN-PME);
- Kaplan Schoar (KS-PME); and
- Capital Dynamics PME+ (using the Capital Dynamics methodology)

An extensive overview of these approaches, along with worked examples is provided in section 2 of our 2020 report.

Section 3 of this report presents the results of our calculations using the KS-PME and PME+ methodologies, which we believe are the most appropriate for use with our dataset as they use daily cash flows and year end valuations.

A PME analysis is the fairest method of comparing the performance of the two asset classes, as it indicates to the investor what the return of an equivalent public market investment would be.



A note on terminology

In this report we will frequently use the term "equivalent investments" – by equivalent investments we mean investments of the same amount and at the same dates as those which took place in the private equity/venture capital funds.

Measuring investment performance

Overview of PME methodologies

Methodology	Metric	Private Equity Outperformance if:	Description of Calculation	Strengths	Weaknesses
LN PME (Long-Nickels)	Annualised Rate	Estimated PME IRR < PE Fund IRR	Contributions to PE fund are converted to an equal purchase of shares in the public index. Distributions represent liquidation of share in public index. IRR calculation uses same contributions and distributions as PE fund, but with a different final period remaining value.	LN PME IRR is directly comparable to the PE Fund IRR, allowing an apples-to-apples comparison.	IRR sensitive to early distributions. Large distributions could cause a negative PME final period remaining value, making PME IRR calculation computationally impossible.
KS PME (Kaplan-Schoar)	Ratio	Value > 1	Calculated by discounting the private equity fund cash flows by the public market index value. The discounted distributions plus the current remaining value are divided by the discounted contributions to obtain the ratio.	The calculation looks at the ratio of outflows versus inflows as opposed to generating an IRR, which is time dependent and is easily manipulated. Easy to interpret.	Ignores the timings of cash flows.
Capital Dynamics PME+	Annualised Rate	Estimated PME IRR < PE Fund IRR	Uses a fixed scaling factor (lambda) to modify each distribution to ensure the PME final period remaining value is the same as the PE fund remaining value. IRR calculation uses modified distributions but same contributions and final period remaining value.	As for LN PME, with the added benefit of avoiding a final period negative remaining value, making PME IRR calculation possible in more cases.	PME+ does not match the cash flows perfectly.

Methodologies used in this report

Source: Adapted from Preqin Special Report: Public Market Equivalent (PME) Benchmarking, 2015.

Selection of benchmark indices

The importance of index selection

The most important judgement to make when calculating any Public Market Equivalent results is the selection of the benchmark index.

There are two approaches to selecting a benchmark index:

1.) Endeavoring to match the private market portfolio as closely as possible, through consideration of the range of investment sizes, sectors and geographies. This approach more closely shows the relative performance of the fund manager.
2.) Through considering the alternative investment options open to investors – which may reflect a different strategy or sector mix.

Consistent with academic literature, we have adopted the first approach, looking to use indices which have features which most closely align with our dataset, as our objective is to assess the relative performance of private capital funds in our dataset.

It is important to note, however, that the indices we select are not the only alternative place in which investors could have placed their money.

Overview of funds in the BVCA PMS dataset

Investment size

(by amount invested):

- 62% of the funds in our database invest in Large Private Equity (over £100 million invested in equity per transaction);
- 27% invest in Mid Private Equity (Between £10 and £100 million invested in equity per transaction);
- 6% invest in Small Private Equity (less than £10 million invested in equity per transaction); and
- 5% are Venture Capital funds.
- Less than 1% of funds by amount invested fall into other, legacy categories which applied pre-1996.

Investment sectors / regions

(by amount invested):

- 16% of the funds in our dataset focus on technology.
- 15% of the funds in our dataset invest only in the UK, 84% in European countries (which may include the UK) and 16% in other regions.

From our other studies, such as the Report on Investment Activity, we know that our member firms invest in a varied range of sectors, particularly technology, consumer goods and services, business products and services, biotech and healthcare and financial and insurance activities.

Investment currency[1]

(by capital raised since 2001):

- 17% Pounds Sterling
- 76% Euros
- 7% US Dollars

[1] We use end of day mid-rates from oanda.com to convert between currencies

Selection of benchmark indices

Benchmark indices

Taking into consideration the broad range of investment sizes, sectors and geographies, we require a broad based UK or European index to be comparable.

We have identified two indices which meet this criteria:

- The FTSE All Share Index; and
- The MSCI Europe Index

In both cases we select a Total Return Index (see box right).

We have adopted the Euro denominated MSCI Europe Index, for which daily data is available from 1 January 2001.

A note on dividends & trading costs

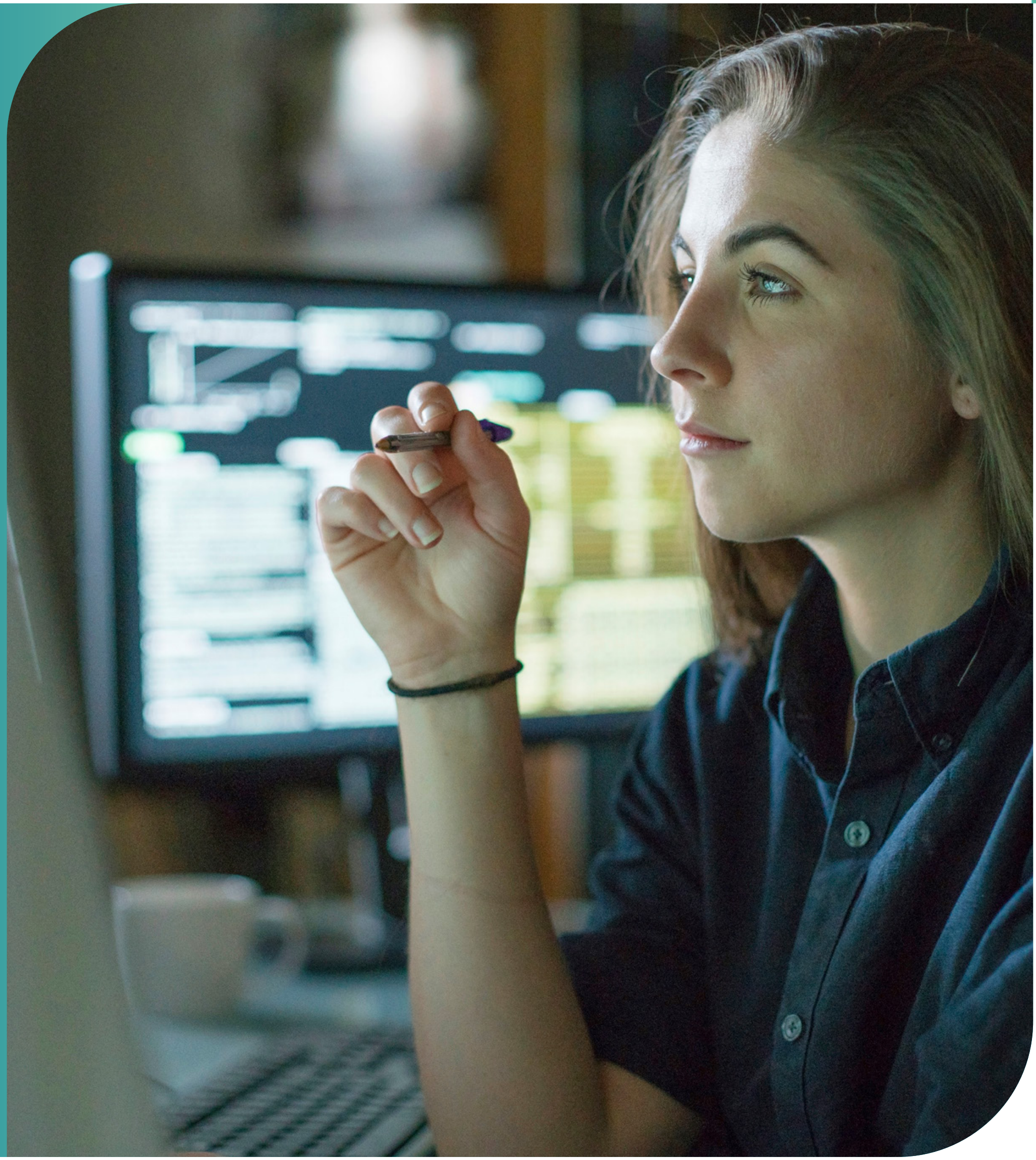
Index providers typically publish at least two versions of the same index:

1.) a price level index which reflect the share prices of the underlying stocks on each day; and

2.) A total return index, which reflects the fact that publicly quoted companies frequently pay dividends to shareholders. When dividends are paid out these are assumed to be reinvested in the index, hence the total return index is a better reflection of what an investor would earn if buying and holding the index for a longer period of time.

As the cashflows in our dataset contain dividends, the Total Return measure is the most appropriate for our purposes.

The BVCA reports performance (DPI, TVPI and IRR) net of fees, whereas public equity will have trading costs. However, since the PME analysis implies that investments are made into an index, trading fees are negligible, making it a reasonable comparison.



Performance & benchmarking results

Since Inception analysis by vintage year – IRR, DPI & TVPI

Chart 1 – Since Inception DPI and TVPI by vintage year

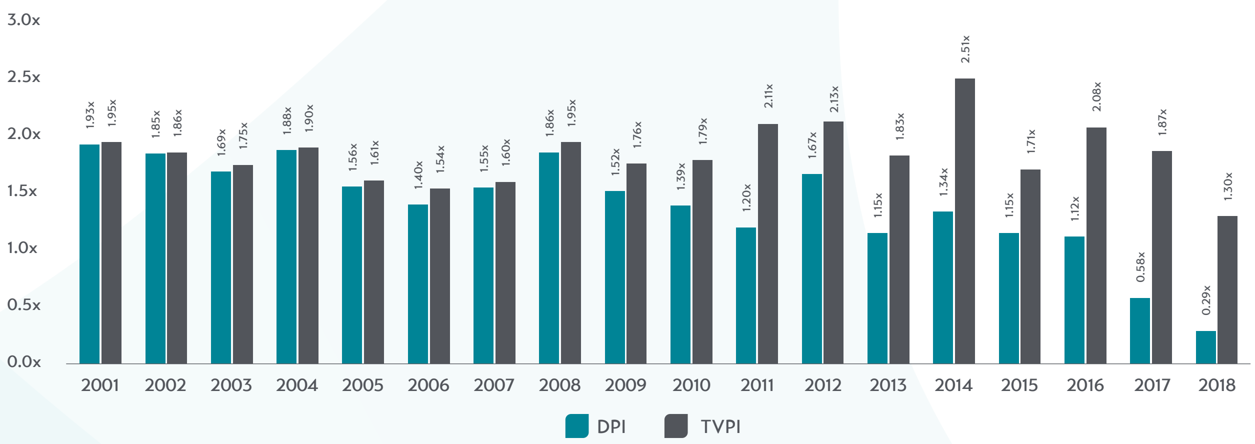
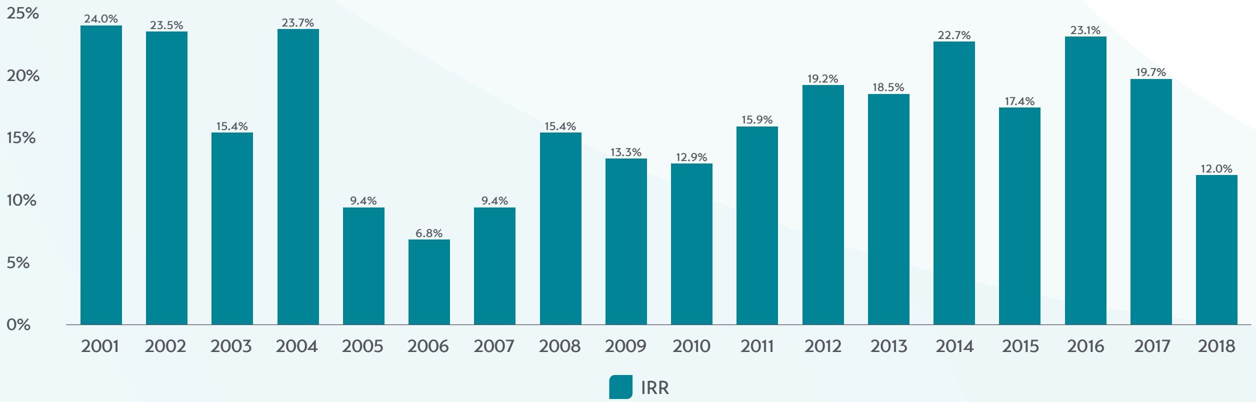


Chart 2 – Since Inception IRR by vintage year



Focus on active funds

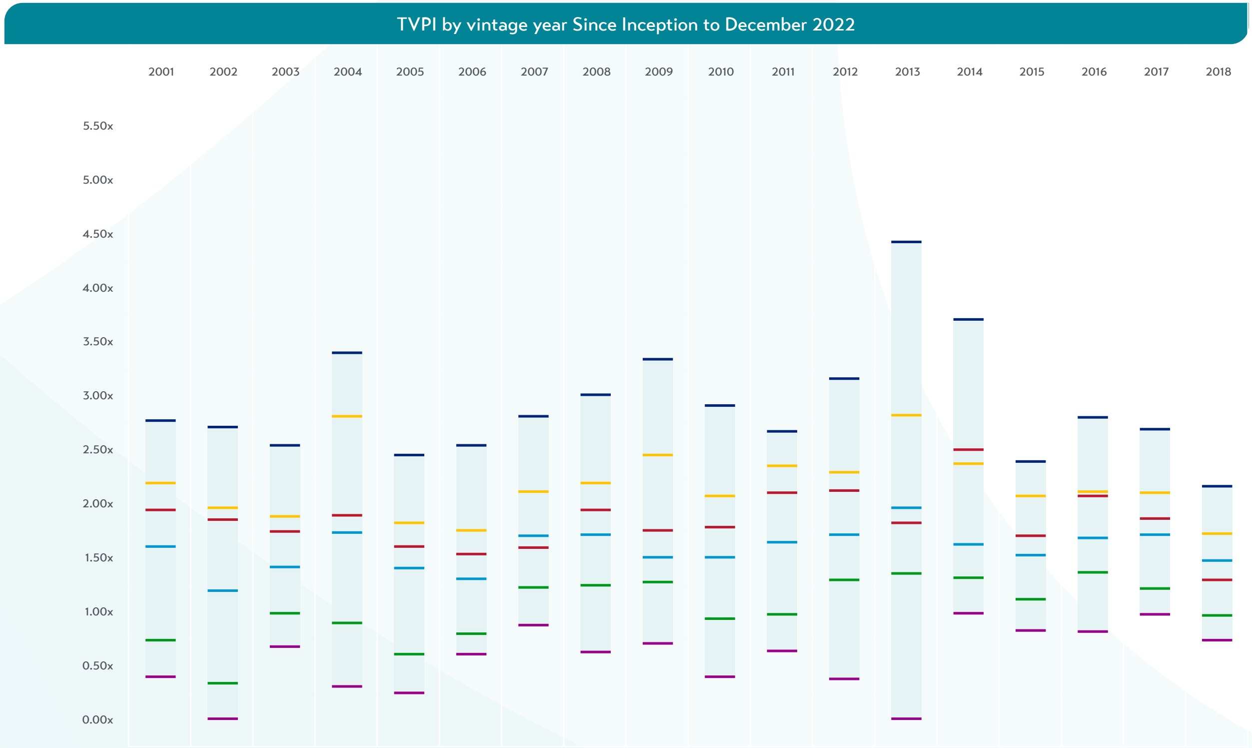
As we can see from charts 1 and 2, funds which started investing in the last ten years, that is since 2013, are anticipated to deliver an IRR of at least 12%. When looking at the TVPI multiples analysis, we can see that these funds are anticipated to return at least 1.3x their initial investments to investors. The performance of funds in the 2014 and 2016 vintage years are extremely strong, with interim IRRs of over 22% and TVPI multiples of over 2x the initial investment.

Consistent with our Performance Measurement Survey report, we do not show returns for funds younger than four years old, as these funds are likely to still be investing capital without material realisations. Hence an analysis of the returns is not particularly meaningful. For an explanation of the life cycle of a private equity fund, please see section 1 of our Performance Measurement Survey report. A longer term dataset going back to 1980 is also shown in this report, with results by vintage year shown here.

Performance & benchmarking results

Range of returns – Since Inception TVPI by Vintage Year

Chart 3 – Range of returns – Since Inception analysis by vintage year - TVPI



Range of returns

As illustrated in our Performance Measurement survey report, there is a wide range of returns generated by funds in our dataset. The best performing funds return 3x the original investment; the poor performers fail to make the target return and in some cases fail to return the original amount of capital to investors.

The chart opposite shows the range of returns as measured by the multiple of total value: i.e. distributions paid out plus value of existing investments as a proportion of the total amount invested. Our performance measurement survey report contains equivalent charts looking at the Since Inception internal rate of return and the distributed to paid-in (DPI) multiple.

Both fund selection and diversification are important in achieving good returns. Just as most investors in public equities will own a portfolio of stocks rather than shares in just one company, institutional investors will typically invest in multiple private equity and venture capital funds with a view to maximising risk-adjusted returns on their portfolio.

Performance & benchmarking results

Since Inception analysis by vintage year – KS-PME and PME+

Chart 4 – Since Inception KS-PME by vintage year

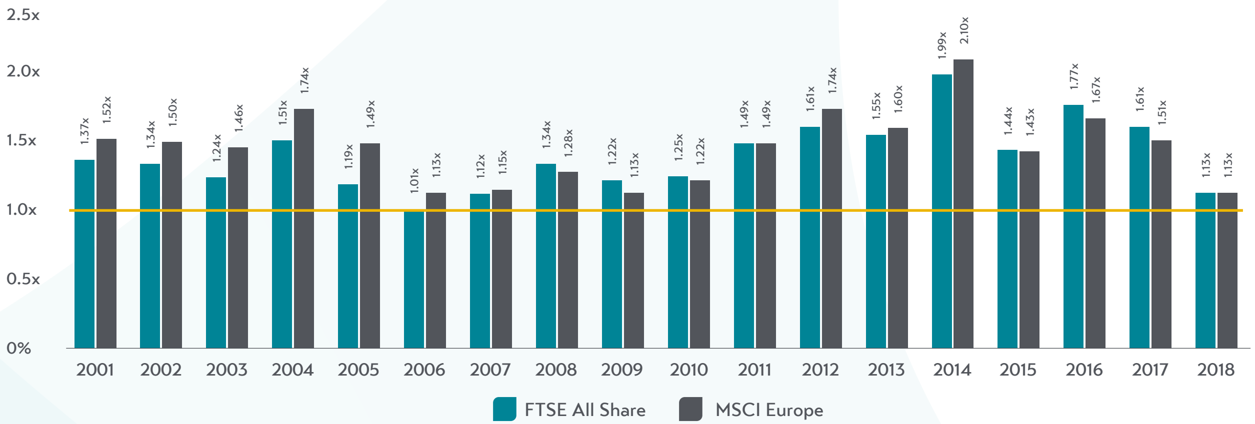
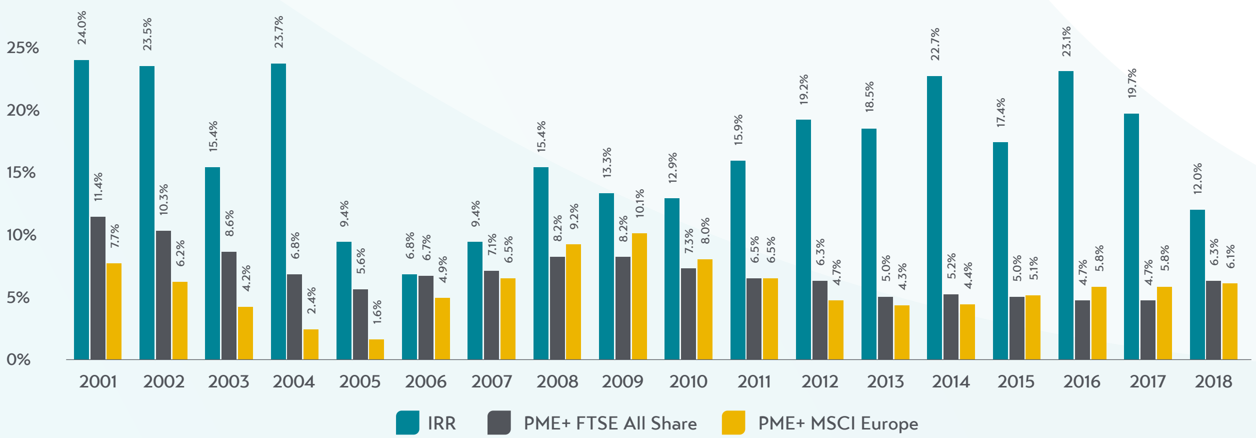


Chart 5 – Since Inception IRR and PME+ by vintage year



Private capital outperforms public markets in every vintage year

Private equity and venture capital outperforms under the KS-PME measure if the KS-PME is greater than one. This was the case for every year since 2001, which means that investors in private equity and venture funds of vintage years 2001-2018 have earned more than if they had invested in FTSE All Share and MSCI Europe indices over the same period to 31 December 2022.

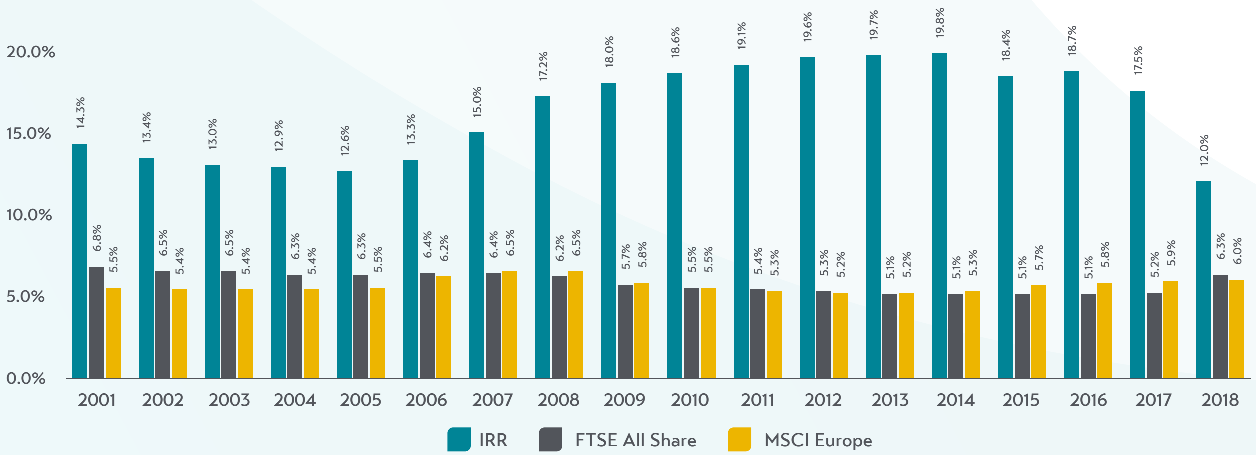
Considering the PME+, private equity and venture capital outperforms if the IRR is greater than the PME+ calculation. Using this PME methodology, outperformance of private equity and venture capital compared to public markets can also be seen across all suitably mature vintages in our dataset.

Performance & benchmarking results

Since Inception analysis starting from a specific vintage year – KS-PME and PME+

Chart 6– Since Inception KS-PME starting from a specific vintage year

Chart 7 – Since Inception IRR and PME+ starting from a specific vintage year



Starting from a specific vintage year

Charts 6 and 7 illustrate how the funds in our dataset have performed relative to our selected benchmark indices. By starting the analysis at different points in time we can exclude older funds which might have been operating in a very different economic environment than today. This provides a useful way to understand the performance of the industry as a whole since a specific year.

For the detailed analysis of the IRR and multiples from our Performance Measurement Survey results starting from a specific vintage year, please see our 2022 report.

The Since Inception starting from a specific vintage year KS-PME analysis confirms what is observed in the PME+ analysis for the same time horizons. The KS-PME multiples being constantly above 1x indicate that investors have received greater return from investing in private equity and venture capital funds, than they would, had they made an equivalent investment in the benchmark public indices.

Conclusion

This report uses a large dataset of fund level cashflows and valuations from 2001 to 2022, as well as daily prices for the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index. We have provided significant detail on the returns achieved for investors by funds managed by BVCA members, and how these returns compare to equivalent investments in public equity. Our findings are clear:

- Our Since Inception returns analysis shows that funds that started investing between 2001 and 2018 have already collectively distributed back to investors 1.28x of the original capital invested; if these funds had liquidated their assets at 31 December 2022 at the given valuations, investors would have received back 1.81x their original investment. The pooled IRR achieved by these funds by December 2022 was 14.3%.
- Our range of returns analysis illustrates that, whilst the industry's performance as a whole is very strong, returns vary between individual private equity and venture capital funds. Some funds ultimately may not generate a positive return (in which case the firm will not receive carried interest if returns are below the hurdle agreed with investors) whilst others greatly outperform the pooled industry returns presented in this report.
- The KS-PME analysis shows that BVCA members funds that started investing between 2001 and 2018 generated 1.34x and 1.41x of what investors would have earned from an equivalent public equity investment in the FTSE All Share Total Return Index and the MSCI Europe Gross Total Return Index respectively. The PME+ analysis indicates that an equivalent public equity investment would have returned 5.5% - 6.8 % by December 2022, depending on the benchmark index selected highlighting the long-term outperformance of private equity and venture capital.
- Both the KS-PME and PME+ Since Inception by vintage year results indicate that private equity and venture capital funds of vintage years between 2001 and 2018 have collectively outperformed the public market
- The KS-PME and PME+ results both confirm that since 2001 investors in private equity and venture capital funds have collectively earned more than if they had made an equivalent investment in public equities.

In Summary: from 2001 onwards, regardless of how we choose to analyse the performance of the private equity and venture capital funds in our dataset, and regardless of which PME methodology is used, these funds outperformed both the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index.

We are aware that there is significant literature available on private equity performance, including public market equivalent analyses, and we are pleased to be able to contribute to the evidence around the performance of UK private equity and venture capital funds in this report.

All data tables in this report are available on the BVCA website in Excel format. We hope this will prove a valuable resource for industry participants, researchers and others wishing to learn more about the performance of private equity and venture capital funds.

We would like to conclude by thanking all BVCA members who contributed to our Performance Measurement Survey, without which this report would not have been possible.

Get in touch

If you would like to discuss anything within this report please contact us at research@bvca.co.uk

Glossary

Return metrics

IRR

The annualised internal rate of return (IRR) achieved over a period of time, based on the portfolio cash flows and valuations.

DPI

The distributed to paid in (DPI) multiple is the total amount distributed to investors as a percentage of paid-in/committed capital.

TVPI

The total value multiple (TVPI) is the total amount distributed plus the residual value attributable to investors as a percentage of paid-in capital.

Time periods

Vintage Year

Governed by the date of the fund's first drawdown, that is, the earlier of either: (i) the first payment by the investor to the fund; or (ii) the first investment made by the fun.

Since Inception

Since Inception performance refers to the performance of a fund since its first draw down. This, therefore, is the measure that most closely reflects the return an investor would achieve if they invested at the start of a fund. Funds that are four years old or less are excluded from our Since Inception analysis as during the first four years of a fund's life, they are mostly investing and only returning small amount of capital to investors, therefore any calculated measure of performance would not provide an accurate indication of what the return could be at the end of the fund's life. Hence, the Since Inception returns in this report exclude funds with vintages after 2018.

Since Inception by Vintage Year

The BVCA classifies the vintage year of a fund as the first year in which the fund made a draw down. Since Inception returns by vintage year are useful when analysing the returns delivered to date of funds at different stages of a fund's life cycle. For example, the 2013 vintage in this report will contain all funds that started investing in 2013, and therefore are currently 10 years old, having most likely invested the majority of their capital and distributed a significant proportion back to investors. Since Inception returns by vintage year are also useful to analysing the impact that economic cycles can have on fund performance.

Since Inception Starting From a Specific Year

A new measure by the BVCA in the Performance Measurement Survey report 2020 is Since Inception starting from a specific year. This measure is a pooled Since Inception return for all funds starting at a certain vintage and excluding the four most recent vintages. For instance, Since Inception starting from 2013 includes cashflows from all funds of vintages between 2013 and 2018, therefore funds that are between five and ten years old. This means that the funds included in the Since Inception starting from 2013 category will probably have invested the majority of their capital and distributed a large proportion of it as well.

Note

Please note that in our Performance Measurement Survey we start our Since Inception analysis in 1980. This report starts the analysis in 2001 as this is the first year where data is available for both our selected indices.

Further reading

The authors found the papers below to be helpful in developing an understanding of the various PME methodologies, and would recommend these to readers wanting to understand more about this topic:

- BVCA Private Equity Performance Measurement - BVCA Perspectives Series, 2015.
- Capital Dynamics. Public benchmarking of private equity. Quantifying the shortness issue of PME, July 2015.
- Griffiths et al. Benchmarking Private Equity The Direct Alpha Method, February 2014.
- Kaplan & Schoar. Private Equity Performance: Returns, Persistence, and Capital Flows. Journal of Finance, August 2005.
- Long and Nickels. A Private Investment Benchmark, February 1996.
- Preqin. Preqin Special report: Public Market Equivalent (PME) Benchmarking, July 2015.
- Brown, Gregory & Harris, Robert & Hu, Wendy & Jenkinson, Tim & Kaplan, Steven N. & Robinson, David T. "Can investors time their exposure to private equity?," Journal of Financial Economics, Elsevier, vol. 139(2), 2021.
- Sorensen & Jagannathan. The Public Market Equivalent and Private Equity Performance, March 2014.

Contacts & useful resources

- BVCA Performance Measurement Survey 2022
- BVCA Performance Measurement Survey 2022 Highlights
- BVCA Performance and Public Market Equivalent Report 2021
- BVCA Performance and Public Market Equivalent Report 2020
- Private capital: rising to the challenges of turbulent times
- BVCA Report on Investment Activity 2022
- Measuring the contribution of private equity and venture capital to the UK economy in 2023

If you would like to discuss this report on the industry's contribution more generally, please contact any of the following:

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To access the data shown in the charts within this report please click here.

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Data sources

The FTSE All Share Total Return Index data is sourced from FTSE Russell. The MSCI Europe Gross Total Return Index data is sourced from MSCI.

About the BVCA

The British Private Equity & Venture Capital Association (BVCA) is the voice of private capital in the UK.

We have been advocating for the UK's private equity and venture capital industry for 40 years, helping it to uphold its vision and achieve its goals. We actively represent this diverse community of long-term investors, enabling them to speak with one clear and consistent voice to society, including the Government, media and MPs.

We connect institutional investors, fund managers, companies, advisers and service providers together, with our membership currently comprising more than 650 businesses from across the private capital ecosystem. This includes more than 325 PE and VC firms, 100 institutional investors and 220 professional services firms.

The BVCA supports its members to help companies grow and achieve their long-term ambitions, creating value for the country, both economically and socially. From creating medicines to protect us against COVID-19, to backing innovative companies in their quest to find solutions to our low-carbon future, private capital also plays a critical role in addressing society's future challenges.

Together we are invested in a better future.

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The data within this report was collated and analysed by the BVCA Research team. While the BVCA has made every effort to ensure the reliability of the data included in this report, they do not assume any responsibility for any inaccuracy in the data nor the accuracy of the underlying amounts submitted by the participating private equity and venture capital funds. The survey is based on valuations provided by each participating fund. The BVCA has not independently checked the valuation data, or independently confirmed that the International Private Equity and Venture Capital Valuation Guidelines have been adhered to.

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